month on month marketview

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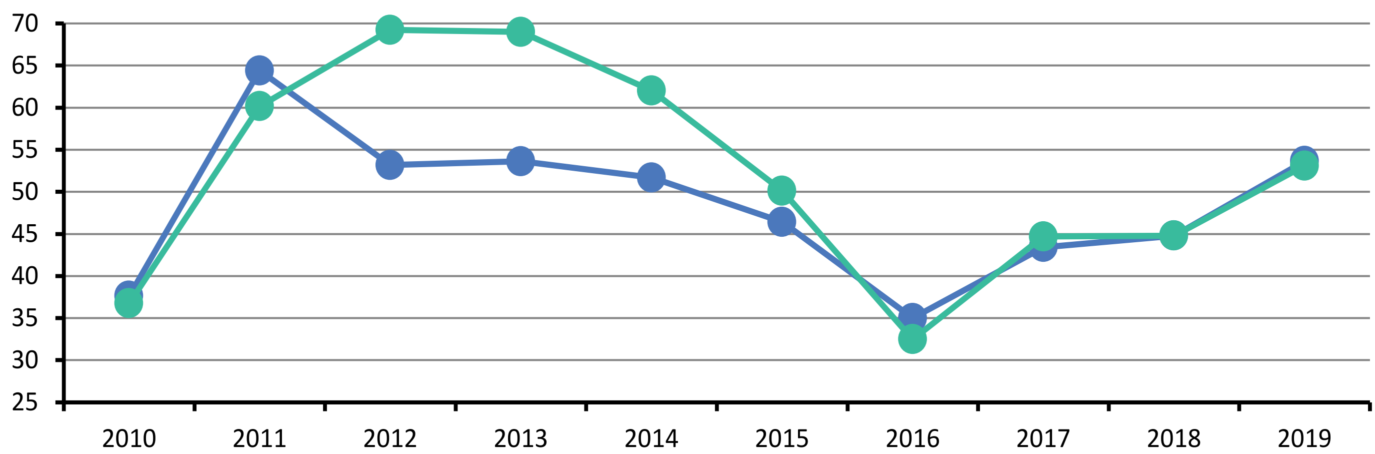
Review of February 2019

Net Cost of Electricity and Gas for a 1st April Contract renewal



Electricity: base load cost - excludes distribution, taxation and supplier margin and costs

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
37.63	64.40	53.18	53.63	51.70	46.43	35.00	43.43	44.80	53.65

Gas: core gas cost - excludes distribution, taxation and supplier margin and costs

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
36.75	60.17	69.23	69.00	62.03	50.13	32.48	44.70	44.80	53.1

▲ : Indicates that there was an upward pressure on prices. ▼ : Indicates that there was a downward pressure on prices.

February in summary

February has mainly been driven by the weather and system supply, with LNG helping to balance the demand.

Market volatility

Weather forecasts were the primary market diver for February.

Weather

February started off cold, with snow showers for many northern and eastern areas and some more general areas of snow in southern England. In contrast, the rest of the month was very mild. It was rather mild and changeable from the 4th to 12th with westerly winds, then a southerly incursion from north Africa brought very mild and sunny weather to most parts from the 13th to 15th, although it stayed cloudy with some rain in the north-west. After another changeable spell from the 16th to 20th, the southerly type returned from the 21st to 27th bringing record-breaking temperatures and plenty of dry sunny weather by day, but frost and fog became increasingly widespread by night. The fine spell broke down from the west on the 28th.

Gas, Storage and LNG News ▼

February continued the trend seen in recent months where gas prices dropped across a host of European energy markets. Demand began the month above the average as colder temperatures that began in January lingered into February. The weather quickly returned to the seasonal average however before exceeding the level for the second half of the month. Supply remained abundant throughout February as domestic production was unrestricted. Imports from Norway flowed, whilst LNG deliveries – which were lacking 12 months ago due to higher prices in Asia – remained strong with more than 10 tankers unloading at the UK's 3 terminals. Indeed, sendout from LNG sites in February was its highest since 2016. The additional supply offset reduced flows across the IUK and BBL interconnectors, both of which fell to 0 during the months as spreads to the NBP narrowed. Such pipelines had been delivering considerably the month prior. The warm weather intensified at the end of the month, setting a new record for the hottest day in February on the 25th.

Politics and global economics

Politics and Global Economics – Stable

The GBP has reached its highest levels for over a year against the EUR and is holding value on a backdrop of Brexit deadlines fast approaching.

Oil ▲

February continued to be a strong month for Brent Crude as suggestions that OPEC production cuts were limiting supply whilst trade discussions between the US and China Strengthened.

Coal ▼

The benchmark European coal year-ahead contract lost more than 2% in the first week of February, which followed a similar movement the day earlier as Chinese import restrictions, as well as increased coal-to-gas switching, drove the European benchmark downwards. Further downwards movement occurred later on the back of warmer weather across Europe, reducing demand for the commodity in their respective power mixes.

Carbon ▲

Cheaper gas prices have made the fuel more attractive for power generators as it requires less permits for its emissions, as compared to sentiment from Brent Crude and hope that the US and China would reach a trade agreement after the former was reportedly offering to cancel sanctions in return for equivalent measures.

Looking Ahead

The UK expects 3 LNG tankers to be arriving in the UK mid March on top on the 4 already arrived in March. Storage stocks have returned above previous years as the milder weather at the end of February meant less supply was required. These factors coupled with expected seasonal norms for much of the month should hold the market steady.

month on month weatherreview

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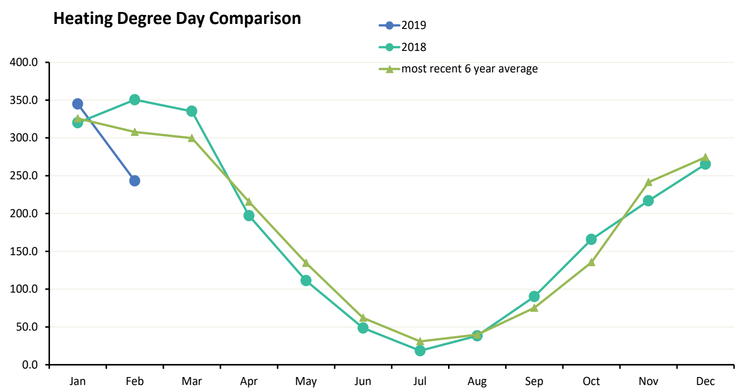
Review of February 2019

Degree days are a representation of the length of time and severity with which the outside temperature either drops below (heating days) or goes above (cooling days) 15.5°c, and therefore it is assumed that heating or cooling is required.



Heating 2018 and 2019: Summary

2019 Summary v 6 Year Average

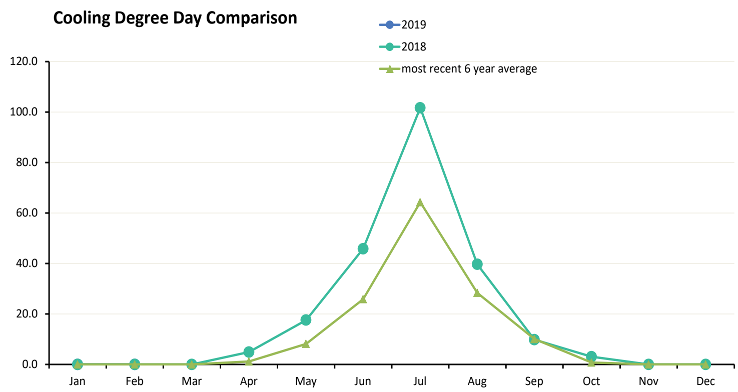
(* Positive numbers = warmer, negative = colder than 6 year average)

2019	Jan	Feb	Year total
DD	-19.9	64.7	**45.6**
%	-5.9%	21%	**2.1%**

2018 v 2019 Summary

(* Positive numbers = warmer, negative = colder than 2016)

2019	Jan	Feb	Year total
DD	-24.8	107.3	**82.6**
%	-7.7%	30.6%	**3.8%**



Cooling 2017/18 and 2018/19: Summary

2018-19 Summary v 6 Year Average

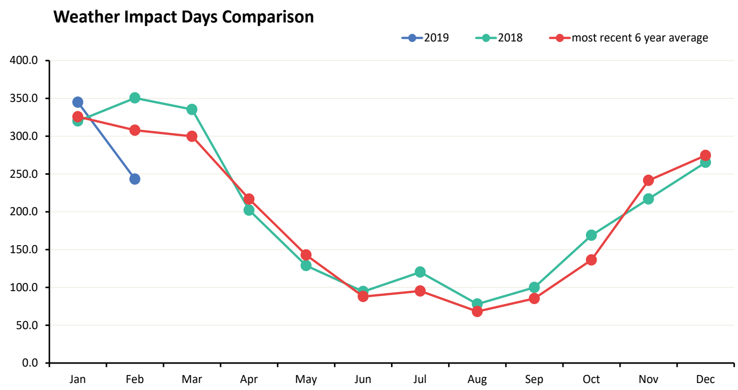
(* Positive numbers = warmer, negative = colder than 6 year average)

2019	Jan	Feb	Year total
DD	0	0	**0**
%	0%	0%	**0%**

2018 v 2017 and 2019 v 2018 Summary

(* Positive numbers = warmer, negative = colder than 2016)

2019	Jan	Feb	Year total
DD	0	0	**0**
%	0%	0%	**0%**



Weather impact days 2017/18 and 2018/19: Summary

2018/19 Summary v 6 Year Average

(* Positive numbers = warmer, negative = colder than 6 year average)

2019	Jan	Feb	Year total
DD	19.1	64.7	**83.8**
%	5.9%	21%	**3.7%**

2018 v 2017 and 2019 v 2018 Summary

(* Positive numbers = warmer, negative = colder than 2016)

2019	Jan	Feb	Year total
DD	24.8	107.3	**132.1**
%	7.7%	30.6%	**5.6%**

Met office UK summary

February started off cold, with snow showers for many northern and eastern areas and some more general areas of snow in southern England. In contrast, the rest of the month was very mild. It was rather mild and changeable from the 4th to 12th with westerly winds, then a southerly incursion from north Africa brought very mild and sunny weather to most parts from the 13th to 15th, although it stayed cloudy with some rain in the north-west. After another changeable spell from the 16th to 20th, the southerly type returned from the 21st to 27th bringing record-breaking temperatures and plenty of dry sunny weather by day, but frost and fog became increasingly widespread by night. The fine spell broke down from the west on the 28th.

The provisional UK mean temperature was 6.0 °C, which is 2.4 °C above the 1981-2010 long-term average. With 82% of average rainfall and 144% of average sunshine, the UK as a whole had a rather dry and particularly sunny month.

Utility impact summary

February has been a much warmer than average month with many places seeing some spring like weather. Vs this time last year when we had 'The Beast from the East' there has been 30% less demand for heating.

Your electricity and gas bills are likely to have seen a decrease from last year due to the warmer weather which will have lowered your heating demand and potentially your lighting demand as it has also been sunnier.

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